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SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, JANUARY 18-31

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11. SUMMARY: The information in this Kazakhstan economic and energy update is drawn primarily from the Kazakhstani media and has not been further verified for accuracy.

- Banking Sector News
- Labor Market Update
- Energy Ministry Asks Government to Support Subsoil Users
- Prime Minister Calls for Review of Gas Prices
- Kazakhstan and Russia to Sign Oil Transit Agreement

END SUMMARY.

#### BANKING SECTOR NEWS

12. The Board of Directors of Halyk Bank appointed Umit Shayakhmetova as the new Chairman of the bank's Management Board -- a position equivalent to CEO. She replaces Grigoriy Marchenko, who was recently named to head Kazakhstan's National Bank. Shayakhmetova graduated from Patrice Lumumba People's Friendship University in Moscow in 1993 with a bachelor's degree in economics. She earned an MBA from Rutgers University in New Jersey in 1996. From 1997 to 2004, Shayakhmetova held various positions at ABN-AMRO Bank Kazakhstan. In 2004, she joined Halyk Bank as Deputy Chairman of the Management Board.

13. According to a statement from the Financial Supervision Agency (FSA), Kazakhstan's commercial banks earned a net profit of 15.4 billion tenge (approximately \$126.6 million at the January 29 exchange rate) in 2008, marking a 92.9% decrease in profits year-on-year. During the same period, the revenue of second-tier banks totaled 2,934.7 billion tenge (about \$24.1 billion), marking a 63.5% increase compared to 2007. Loan portfolios, including inter-bank loans, increased by 4.2% in 2008 to 9,238.4 billion tenge (about \$75.9 billion). As of January 1, 2009, the banking sector's overall loan portfolio was divided as follows: 43.3% standard loans (compared to 39.7% as of January 1, 2008), 52.3% doubtful loans (vs. 58.8% for the previous year) and 4.4% bad loans (vs. 1.5% for the previous year).

## LABOR MARKET UPDATE

14. Minister of Labor and Social Protection Berdybek Saparbayev reported on January 28 that 5,785 social projects to be funded by federal and local budgets will be launched in 2009, creating an anticipated 348,000 new jobs.

15. In response to increased unemployment and concerns about rising crime rates, Prime Minister Karim Masimov instructed local authorities and ministries to ensure all migrants obtain required temporary residence permits, to deport illegal immigrants, and to provide more Kazakhstani citizens with jobs.

16. According to Labor and Social Protection Minister Saparbayev, the Government of Kazakhstan may introduce a moratorium on seasonal foreign agricultural workers allowed into the country in 2009. The Minister did not, however, specify the date and the duration of this moratorium.

## ENERGY MINISTRY ASKS GOVERNMENT TO SUPPORT SUBSOIL USERS

17. Speaking at a government meeting on January 21, Minister of Energy and Mineral Resources Sauat Mynbayev asked Prime Minister Masimov to lift the moratorium on the issuance of subsoil use licenses and reduce mineral extraction tax rates because of the global financial crisis and the low price of crude oil. Mynbayev also requested that the government not annul the contracts of subsoil users who meet at least 50% of their contractual obligations. According to Mynbayev, as of January 1, 887 subsoil use contracts are currently active, and 80% of operators are meeting their contractual obligations. In 2008, the Energy Ministry signed 104 new contracts and issued 153 warnings regarding violations of contractual obligations and license requirements.

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## PRIME MINISTER CALLS FOR REVIEW OF GAS PRICES

18. On January 21, Prime Minister Masimov ordered the Ministry of Energy and Mineral Resources to calculate the impact of Russia's anticipated shift to European pricing for gas. "We need to be very well prepared for this transition. We need to know what it will cost us," he said. Masimov added, "I took part in the gas dispute between Russia and Ukraine and there is one very important conclusion we must draw: Russia will move to European prices at home and in its exports to Ukraine and other countries in 2011." On January 22, KazMunayGas agreed with Gazprom on a 21% increase in the transit fee for gas transported across the country, raising the fee from \$1.40/tcm per 100 km to \$1.70/tcm per 100 km in 2009.

## KAZAKHSTAN AND RUSSIA TO SIGN OIL TRANSIT AGREEMENT

19. Interfax reported on January 22 that Russia's Energy Ministry plans to resume preparation of an intergovernmental agreement with Kazakhstan on crude transit through 2020, and hopes to sign it within next six months. The agreement would cover the increase of the throughput capacity of the Atyrau-Samara oil pipeline to 20 million tons, the expansion of the Caspian Pipeline Consortium (CPC) pipeline, and the construction of the Bourgas-Alexandroupolis pipeline.

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